

**REPORT OF THE AUDIT OF THE
FORMER GARRARD COUNTY
CLERK**

**For The Period
January 1, 2012 Through August 31, 2012**



**ADAM H. EDELEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE FORMER GARRARD COUNTY CLERK

**For The Period
January 1, 2012 Through August 31, 2012**

The Auditor of Public Accounts has completed the former Garrard County Clerk's audit for the period January 1, 2012 through August 31, 2012. Based upon the audit work performed, the financial statement presents fairly in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees for the period ending January 1, 2012 through August 31, 2012 totaled \$156,747.

Deposits:

The former County Clerk's deposits were insured and collateralized by bank securities.

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ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable John Wilson, Garrard County Judge/Executive
The Honorable Stacy May, Former Garrard County Clerk
The Honorable Kevin Montgomery, Garrard County Clerk
Members of the Garrard County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the former County Clerk of Garrard County, Kentucky, for the period January 1, 2012 through August 31, 2012. This financial statement is the responsibility of the former County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the former County Clerk for the period January 1, 2012 through August 31, 2012, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated March 1, 2013 on our consideration of the former Garrard County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable John Wilson, Garrard County Judge/Executive
The Honorable Stacy May, Former Garrard County Clerk
The Honorable Kevin Montgomery, Garrard County Clerk
Members of the Garrard County Fiscal Court

This report is intended solely for the information and use of the former County Clerk and Fiscal Court of Garrard County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Adam H. Edelen", with a stylized flourish at the end.

Adam H. Edelen
Auditor of Public Accounts

March 1, 2013

GARRARD COUNTY
 STACY MAY, FORMER COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Period January 1, 2012 Through August 31, 2012

Revenues

State Grants		\$	64,079
State Fees For Services			991
Fiscal Court			14,658
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	402,597	
Usage Tax		581,104	
Tangible Personal Property Tax		1,031,042	
Other-			
Fish and Game Licenses		4,341	
Marriage Licenses		2,663	
Occupational Licenses		25	
Deed Transfer Tax		20,029	
Delinquent Tax		268,360	2,310,161
Fees Collected for Services:			
Recordings-			
Lien Release Fees		7,786	
Deeds, Easements, and Contracts		5,613	
Real Estate Mortgages		18,045	
Chattel Mortgages and Financing Statements		30,746	
Powers of Attorney		927	
Affordable Housing Trust		13,008	
All Other Recordings		11,926	
Charges for Other Services-			
Candidate Filing Fees		780	
Copywork		2,352	
Postage		1,005	92,188
Other:			
Refunds/Overpayments		229	
Miscellaneous		399	628

The accompanying notes are an integral part of this financial statement.

GARRARD COUNTY
 STACY MAY, FORMER COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Period January 1, 2012 Through August 31, 2012
 (Continued)

Revenues (Continued)

Interest Earned	\$	56
Total Revenues		2,482,761

Expenditures

Payments to State:

Motor Vehicle-			
Licenses and Transfers	\$	282,207	
Usage Tax		563,682	
Tangible Personal Property Tax		385,961	
Licenses, Taxes, and Fees-			
Fish and Game Licenses		4,194	
Delinquent Tax		20,903	
Legal Process Tax		10,099	
Affordable Housing Trust		13,008	1,280,054

Payments to Fiscal Court:

Tangible Personal Property Tax		73,560	
Delinquent Tax		14,493	
Deed Transfer Tax		19,027	107,080

Payments to Other Districts:

Tangible Personal Property Tax		531,941	
Delinquent Tax		144,580	676,521

Payments to Sheriff		24,129
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Payments to County Attorney		35,069
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Operating Expenditures:

Personnel Services-		
Deputies' Salaries		92,207
Employee Benefits-		
Employer's Share Social Security		10,799
Employer's Paid Group Life Insurance		64
Contracted Services-		
Employee Training Programs		680
Printing and Binding		31,368

The accompanying notes are an integral part of this financial statement.

GARRARD COUNTY
 STACY MAY, FORMER COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Period January 1, 2012 Through August 31, 2012
 (Continued)

Expenditures (Continued)

Operating Expenditures: (Continued)

Materials and Supplies-		
Office Supplies	\$	2,202
Other Charges-		
Refunds		3,291
Dues		588
Bank Charges		43
Miscellaneous		2,711
		<u>\$ 143,953</u>
Total Expenditures		<u>2,266,806</u>
Net Revenues		215,955
Less: Statutory Maximum		<u>53,020</u>
Excess Fees		162,935
Less: Expense Allowance		2,400
Training Incentive Benefit		3,788
		<u>6,188</u>
Excess Fees Due County for 2012		156,747
Payments to Fiscal Court - October 20, 2012		156,625
November 8, 2012		122
		<u>156,747</u>
Balance Due Fiscal Court at Completion of Audit		<u>\$</u>

The accompanying notes are an integral part of this financial statement.

GARRARD COUNTY
NOTES TO FINANCIAL STATEMENT

August 31, 2012

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at August 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2012 services
- Reimbursements for 2012 activities
- Payments due other governmental entities for August tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2012

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

GARRARD COUNTY
NOTES TO FINANCIAL STATEMENT
August 31, 2012
(Continued)

Note 2. Employee Retirement System

The county official and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 18.96 percent for the first six months and 19.55 percent for the last six months.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

GARRARD COUNTY
NOTES TO FINANCIAL STATEMENT
August 31, 2012
(Continued)

Note 3. Deposits

The former Garrard County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The former Garrard County Clerk did not have a deposit policy for custodial credit risk but rather followed the requirements of KRS 41.240(4). As of August 31, 2012, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Lease

The Office of the County Clerk was committed to a lease agreement with Software Management for software and hardware. The agreement requires a monthly payment of \$3,921 for 60 months to be completed on March 22, 2014 and annual payments of \$256 for CD back-up related costs. The total balance of the agreement was \$75,011 as of August 31, 2012.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable John Wilson, Garrard County Judge/Executive
The Honorable Stacy May, Former County Clerk
The Honorable Kevin Montgomery, Garrard County Clerk
Members of the Garrard County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the former Garrard County Clerk for the period January 1, 2012 through August 31, 2012, and have issued our report thereon dated March 1, 2013. The former County Clerk's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the former Garrard County Clerk's office is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the former County Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the former County Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the former County Clerk's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the former Garrard County Clerk's financial statement for the period January 1, 2012 through August 31, 2012, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the former Garrard County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'Adam H. Edelen', with a long horizontal flourish extending to the right.

Adam H. Edelen
Auditor of Public Accounts

March 1, 2013

